

THE APPLICATION OF *E-TOURISM* IN SMALL AND MEDIUM-SCALE TOURISM IN INDONESIA: A STRATEGIC MANAGEMENT VIEW

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ABSTRACT

Tourism sector is one of state's income that cannot be separated from the roles of small and medium scale business unit. In accordance with the development of science and technology, tourism sector cannot be separated with the application of information technology commonly called as E-Tourism. In general, E-Tourism is an application of information technology in the field of tourism in order to achieve effectiveness and efficiency in promoting the tourism sectors in Indonesia. Its application in tourism sector can be used as a medium to promote virtual promotion in order to get wider markets. It is also known that most of the tourists who come to Indonesia are from developed countries and they are familiar with the application of ICT. By applying E-Tourism tourists and prospective ones are able to access tourism information fast and accurately. It is beneficial for small and medium-scale businessmen. The article attempts to give a description about the effects of E-Tourism on small and medium-scale business unit in Indonesia. It is expected that those involved in tourism business are able to formulate a strategic marketing that can provide competitive advantages, while for researchers it is hoped that the article will be beneficial for future research related to E-Tourism.

Keywords: *Tourism, small and medium scale business unit, E-Tourism, ICT, Strategic marketing*

INTRODUCTION

Tourism sector provides a significant contribution to the economic development of Indonesia. Tourism has significant roles in creating job market, investment and contributing positively to economic development of a

country. Great cultural diversity of Indonesia supported by its geographic position, where one-third of the world's tropical territory lies here as well as the length of its shore, supports the development of tourism sector.

Table 1. Data of Internet User All Over the World

ASIA	Population 2007 (in million people)	Internet User (in million people)		Tendency (%)	Growth (%)
		2000	September 2007		
China	1.317	22.5	162	12.30	720
India	1.129	5	60	5.31	1200
Korea	51	19	34.1	66.86	179
Indonesia	224	2	20	8.93	1000
Malaysia	28	3.7	14.1	53.21	403
Filipina	87	2	14	16.09	700
Singapore	4	1.2	2.42	67.22	202
Thailand	67	2.3	8.45	12.57	367
Brunei	0,403	0.03	0.165	40.94	550
Cambodia	16	0.06	0.44	2.84	733
Laos	6	0.06	0.25	4.31	417
Myanmar	55	1.2	0.3	0.55	25
Vietnam	85	0.2	12.2	20.24	8600

Source: www.internetworldstats.com in Arifin (2008).

Santoso (2002) states that tourism sector is a very promising business in the future. The statement was based on the statistic released by *World Tourism Organization* (WTO) which predicted that the number of international tourists will be 1,046 billion in the year 2010 and 1,602 billion in the year 2020. 231 million will be in Eastern Asia and 438 million are in Pacific region. World tourism is predicted to be able to generate an income of US\$ 2 trillion in 2020.

According to Swasono in Arifin (2008), the tourism development in Indonesia has to cover several aspects such as: (i) increasing the welfare of the society by creating new jobs; (ii) keeping the sustainable development of tourism sector in order to provide social and economic impacts on the society and maintaining environmental quality; (iii) increasing tourists' satisfaction and expanding the markets of tourism; (iv) creating conducive climate to support productive, transparent and free from nepotism tourism development.

Indonesia's tourism development cannot be separated from the development of small and medium scale tourism business units. The

development of small and medium business unit can be done by maximizing internet-based information technology (ICT). The development of internet-based tourism is often called *E-Tourism*. It is supported by the increasing number of internet users around the world. The majority of tourists coming to Indonesia are mostly from developed countries where ICT is commonly used daily.

The data from www.worldstats.com in Arifin (2008) show that the numbers of internet users in many countries have been increasing significantly. Internet can be used as media to promote tourism products and services widely and efficiently in Indonesia. Internet provides tourism information accurately and could enables tourists to make tourism transactions such as reserving hotel rooms and so on.

E-Tourism changes traditional tourism marketing into virtual one which is faster, more practical, and more complete. According to UNCTAD (2005), *E-Tourism* bridges providers of tourism services and prospective tourist through *website*. *Website* in *E-Tourism* can replace the position of travel agents,

tourism operators as well as tourism associations. By means of a *website*, a prospective tourist is able to access direct tourism information and at the same time can make tourism transactions such as buying tickets, reserving a hotel room, restaurants and so on.

However, *E-Tourism* application in Indonesia is not an easy matter. It needs the infrastructure readiness to support it. Besides, it needs the availability of human resources who are capable of mastering technology to apply *E-Tourism* in small and medium tourism business in Indonesia. Some areas such as Bali and North Sumatera have been applying *E-Tourism*. The article discusses the application of *E-Tourism* in Indonesia, the arising problems, and the suggestions to develop *E-Tourism* in Indonesia.

THE APPLICATION OF ICT IN TOURISM SECTOR

Information and communication technology (ICT) in tourism sector as online marketing media. *E-Tourism* is an application of information technology to increase efficiency in tourism sector and provide tourism services to *customers*. It is an accessible tourism marketing strategic concept. *Tourism* provides services to a person or a group of people wanting to visit tourist objects..

Caribbean Tourism Organization (2005) defines *E-Tourism*, "*A dynamic interaction between Information and Communication Technologies (ICTs) and Tourism exists. Each transforms the other: ICTs are applied to tourism processes to maximize efficiency and effectiveness of the organization, tourism unites Business Management, Information and Communication*". Based on the definition of *E-Tourism* Caribbean Tourism Organization (2005) it can be concluded that there are three components of *E-Tourism* namely; ICT (*Information and Communication Technologies*), *Tourism* and *Business*.

Tourism development does not emphasize only on the beauty of a tourist object, but it also needs the marketing process to promote tourism objects to attract tourists. The use of *E-Tourism* in marketing a tourist object will give a great impact due to the fact that that internet is widely used. ICT will detect how far the use of technology is needed by the consumers.

The use of *E-Tourism* concept is an effective and innovative tourism marketing strategy. In *E-Tourism* concepts there are some marketing aspects. According to Wahab (1997: 27), tourism marketing is a management process conducted by national tourism organization or groups of tourism industries to identify tourists willing to make a trip or having the potential to make one.

Tourism marketing is the main factor in *E-Tourism* to compete in attracting tourists. Through *E-Tourism*, provider can identify the needs, motivation, things that the tourists like and dislike. Besides, the information can be updated continuously.

According to UNCTAD (2003) the use of ICT in tourism market can be used as the basis of strategic decision making in tourism and the basis to achieve effective changes. It can be seen from the development of infrastructure, *human capacity*, and integrated concepts in order to get income from tourism sector in a global tourism market.

"In June 2003, the United Nations Conference on Trade and Development, UNCTAD, established a Task Force on Sustainable Tourism for Development that proposes the use of the concept of *e-tourism* as part of a strategy to build sustainable and locally rooted tourism industries. The *e-Tourism* Initiative aims to promote ICT-driven growth through a participative strategy that includes networking and competitive collaboration for the tourism sector of developing countries" (www.unctad.org)

In *Issues Brief* (UNCTAD, 2005), it was stated that information technology provides impacts on the promotion, marketing and the selling of tourism. The people impacts derive from the use of *E-Tourism* in doing radical transformation in tourism industry. At present, people search for tourist objects in the internet. Therefore, the use of internet becomes very important in developing Indonesia's tourism especially *E-Tourism*.

Based on case studies in Africa (Andeka, 2006), it was found out that that innovation in tourism marketing should be attained in international contexts, referring to providers in developed countries. It can increase the value of transaction and generate big profit (85%). The same case was also found in Carabia (80%), or in Asia as shown by Thailand (70%) and India (40%). Indonesia can apply internet-based *E-Tourism* so that wider markets can be achieved.

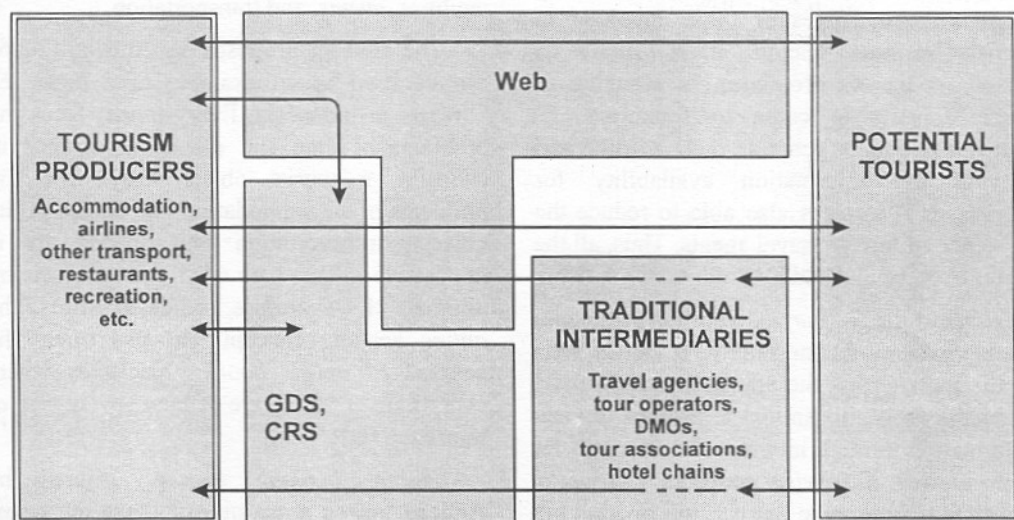
By using internet a wider and unlimited marketing access will be available to be accessed from around the world including information about tourism. Therefore, the use of information technology network by small and medium scale tourism business is a

breakthrough. *E-Tourism* is viewed as helpful in optimizing potencies in developing tourism.

According to Andeka (2006) there are three components in *E-Tourism* namely : (1) data collecting, standardizing, and consolidating, (2) management and implementation, and (3) marketing. There are three levels of *E-Tourism* namely: (1) Data collecting system is the one in charge of standardizing and consolidating. There are some elements in this system such as hotel, tourist objects, and important activities that can be accessed by consumers. Therefore, data collecting, standardizing and consolidating become the first level; (2) management dan *follow-up* which cover system design are arranged based on the information from standardizing and consolidating units; (3) the system application to support marketing. The three levels above are the levels in disseminating information to tourists or prospective ones.

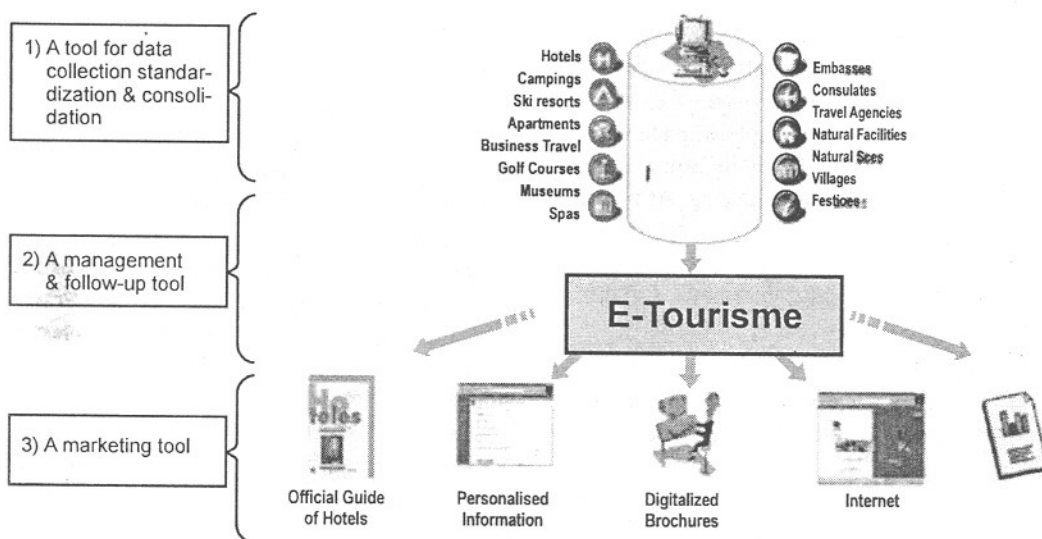
THE APPLICATION OF *E-TOURISM* IN INDONESIA

At present the application of *E-Tourism* in Indonesia has been used by Tourism Offices to support *Visit Indonesia* program. It can be



Source: UNCTAD, *Information Economy* (2005).

Figure 2. Tourism Distribution System



Source: UNCTAD, E-Tourism Initiative, 2004 dalam Andeka (2006).

Figure 3. E-Tourism Basic Concepts

seen in website belong to the Tourism Office of Yogyakarta, Bali, Palembang. Those websites function as online information to Indonesian as well as international community.

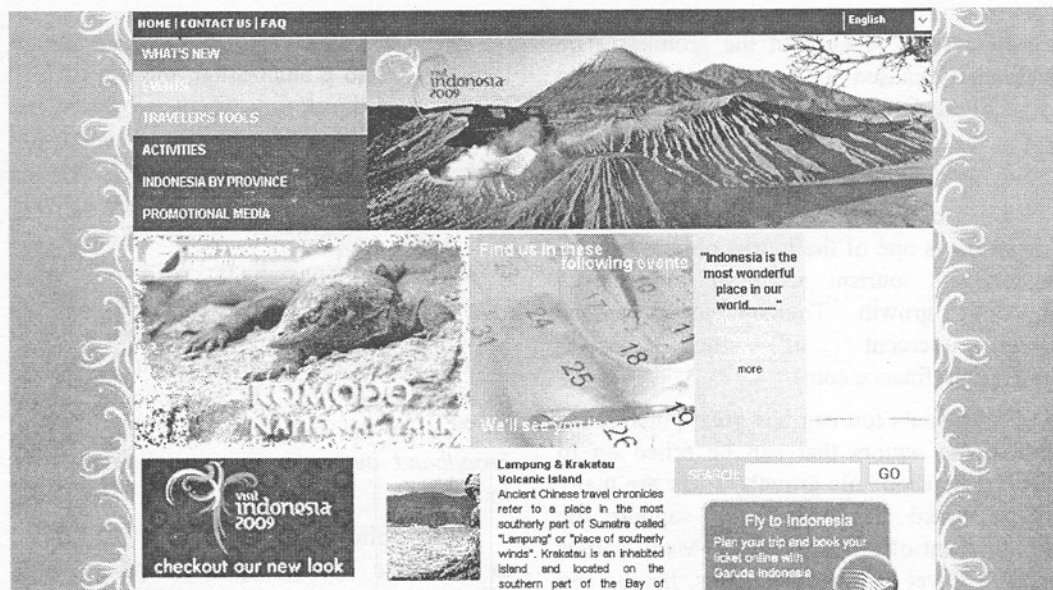
The arrival of tourists to Indonesia cannot be separated from the promotion conducted by either tourism offices or those involved in tourism business. The use of *E-Tourism* as virtual media for promotion is effective to attract tourists to come to Indonesia. *E-Tourism* is able to generate more income and provide the information availability for tourists. *E-Tourism* is also able to reduce the existence of foreign travel agents. Thus, all the income can be claimed by Indonesian tourism.

One of the *E-Tourism* websites in Indonesia is www.my-indonesia.info. It can be seen in the website that the application *E-Tourism* in Indonesia is still limited to provide tourism information through internet, and it is still far from the real *E-Tourism* concepts. *E-Tourism* does not only provide tourism information but also provide *online booking*, and so on.

Based on the fact about the application of *E-Tourism* in Indonesia, it can be concluded that much improvement especially about the content *E-Tourism* website in Indonesia is needed. Andeka (2006) offered a concept of *E-Tourism* which cover *online booking* (2006) accommodation, tourist objects, activities and facilities, *events*, and transportation.

The concept proposed by Andeka (2006) can be used as an example of a better *E-Tourism* in Indonesia. Every tourist faces the problems of time and money constraints in choosing a tourist object. they face the problems of accommodation, the choice of the objects, transportation and so on. It is impossible to take care of all the problems by him/herself. Therefore, Andeka offers the *online booking* concept. He also offers the concept of *online booking* packages where everything is taken care of the convenience of tourists.

Online booking concept offered by Andeka makes it possible to have electronic transactions through internet. *Online booking* needs *online payment* mechanism through a



Source: www.my-indonesia.info (2009).

Figure 4. Sample of Indonesia Website E-Tourism

financial institution such as a bank. On one hand, internet transaction in Indonesia is still vulnerable in terms of its security. Thus, further improvement in the *online booking* concept needs to be done, especially, in terms of *online booking* payment mechanism.

The use of *E-Tourism* in Indonesia is mostly managed by the Tourism Office. However, it also possible to involve other parties like travel agents. It is also possible for Tourist Offices to hold website maintenance trainings for other parties involved. These trainings will be good steps in developing the concept of *E-Tourism*.

TOURISM SMALL AND MEDIUM SCALE BUSINESS UNIT IN INDONESIA

Small and Medium Business Unit (SME) in this article refers to the definition given by the Ministry of Cooperation and Small and Medium Scale Business Unit. A business unit is categorized as small when its assets is less than Rp 200 millions excluding the land and building. The transaction is less than Rp 1 billion/year. [Medium scale has assets of more

than 200 million and the transaction is Rp 1-10 billion/year.

According to Arifin (2008) the existence of Small and Medium Scale business in Indonesia in times of global crisis is taken into account for the following reasons:

- SME is tougher in facing global crisis due to the fact that the business is not related to export-import, it is not related to interest rate, it is not related to exchange rate, and it uses local products.
- SME support future industries.
- SME support real sectors because its growth does not create *bubble economy*.
- SME is the biggest contributor of Indonesia's Gross Domestic Product with an average of 54%-57%.
- SME absorbs the biggest man power in Indonesia, which is about 96%.
- SME is the biggest industry in Indonesia. From 1997-2006, 99% business is SME.

The biggest problem faced by SME in Indonesia are the low productivity, low added

value, and low quality of the products. The problem is caused by some factors such as lack of technology mastery, lack of entrepreneur skills and so on. Efforts to improve the competitiveness of SME need to be done

Tourism sector is closely related to SME. Indonesia as one of the tourist objects tries to develop its tourism sector to support its economic growth. Tourism sector absorb 84,95 percent of men power (www.detikfinance.com).

Indonesia's tourism has great potential as one of the sectors that can be relied on to develop its economic growth. There are many tourism-based SME that can support the development of tourists objects. Many parties such as travel agents, restaurants, hotels, and guides will be involved if the SME is developed. Other sectors will also be involved such as handicraft, specific food, transportation, telecommunication and so on.

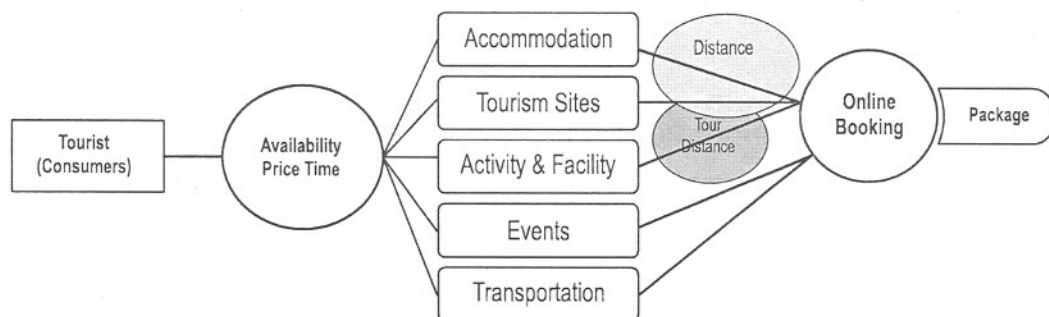
For the past few years tourism sector in has been disturbed by several problems such as terrorism and domestic security, avian flu, swine flu, and natural disasters. Indonesia's tourism cannot compete with our neighbouring countries such as Malaysia and Thailand. Therefore, since 2008 the government of Indonesia has been promoting Indonesia by launching a program called *Visit Indonesia Year*.

With the development of information technology and globalization, the use of ICT needs to be developed. Many people in the world including in Indonesia have been using internet. Based on the data of APJII the development of internet in Indonesia in 2008 has made significant progress. Out of 206,264,595 people there were 2 million (about 1%). The number rose to 20 million users out of 224,481,720 people (about 8.9%) in 2007 and in 2008 there are about 25 million netters out of 237,512,355 people (about 10.5%). By the end of March 2008, 241,000 broadband internets were installed all over Indonesia.

The application of *E-Tourism* is intended to introduce business profile and products offered by SME, widen marketing network, introduce the use of information technology to small and medium scale businessmen, and educate them to be responsive toward the importance of information.

Bali has been using *E-Tourism* to introduce its business. According to I Gusti Bagus (2008) the system can shorten the distribution chain. It is also cheap compared to door-to-door promotion, so that the weakness in marketing network can be solved by using information technology.

The application of *E-Tourism* is something novel. It is also perceived as expensive,



Source: Andeka (2006)

Figure 5. Design of Indonesia E-Tourism system based on Online Booking

complicated, and it needs sophisticated knowledge. Sometimes SME focuses on production and short-term needs, not on market demands. Therefore, deeper understanding on management, appropriate production techniques can be accessed by means of internet and information technology.

There are some obstacles in implementing *E-Tourism* in SME sector. Evaluation about the use of *E-Tourism* needs to be done. The local as well as central government need to provide facilities to support the application of *E-Tourism*.

Expertise in the field of ICT is also needed. Therefore, cooperation with ICT experts needs to be supported so that the application of *E-Tourism* by SME will be beneficial to promote their business and to widen their market share.

EFFORTS TO DEVELOP *E-TOURISM* FOR SMALL AND MEDIUM SCALE TOURISM IN INDONESIA

The development of *E-Tourism* for tourism SME is very much needed because of the fact that tourism sector in Indonesia is very promising. Besides, the development of tourism SME in Indonesia also supports other sectors such as travel agents, restaurants, hotels, and guides. The development of *E-Tourism* in Indonesia will also transform traditional tourism development model in order to keep up with the needs.

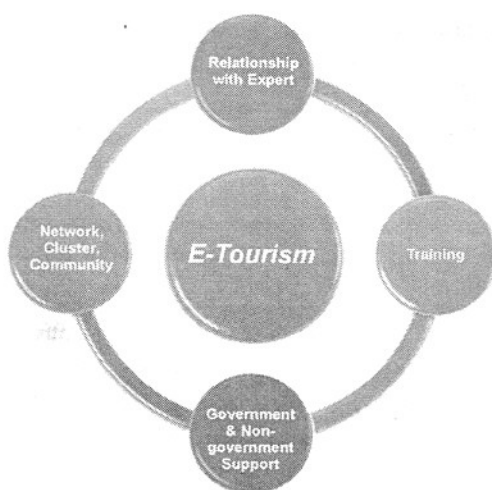
The use of internet as media to promote tourism in Indonesia is not adequate enough. The information in the internet is not integrated. Therefore, the use of internet is far from the real concept of *E-Tourism*. *E-Tourism* in Indonesia is left behind compared to those in neighboring countries such as Singapura, Malaysia, and Thailand. Learning from the experience of Malaysia, we can conclude that the problem faced by Indonesia in developing its tourism is the inavailability

of comprehensive information about its tourism. That is the reason why Indonesia is left behind compared to Malaysia, Thailand, and Singapura. *E-Tourism* is expected to generate more income from tourism sector. The availability of some information related to accommodation, tourist objects, prices, and schedule will be helpful for tourists in making decision to come to Indonesia.

E-Tourism in Indonesia is limited to providing information and the majority is still managed by local as well as central government. In fact, it should be managed by product and service providers such as travel agents, hotels, handicraft industry in order to [provide informative, fast, accurate websites that can cater the needs of tourists or prospective ones. There should be a paradigm shift that the development of *E-Tourism* should not be the responsibility of the government only, but it should also be the responsibility of those involved in the business

The development of *E-Tourism* can be started by giving trainings to those involved in the tourism business. Providing technical assistance is also very much needed. At the beginning, the roles of the government will be dominant since in general the concept of *E-Tourism* and the use of ICT is still something novel for most people..

The government can create information-technology-based programs to develop tourism SME. The programs must be realistic, creative, binding, sustainable. They also must involve related parties. Realistic means that they are applicable. Creative means that they are able to solve arising problems. Binding means that they are based on clear design, *timeframe* and indicators to measure the effectiveness of the programs. Sustainable means that the development should not be considered as short-term process.



Source: Author's (2009).

Figure 6. *E-Tourism* Development Concepts on Small-Medium Scale Tourism in Indonesia

There are some concepts that can be used to develop *E-Tourism* for SME tourism in Indonesia namely:

1. Support from government and non-government agencies

At the beginning level of developing *E-Tourism*, the role of the government to disseminate the importance of *E-Tourism* application is very much needed. In general, those involved in tourism SME are not familiar with the use of ICT as promotion media.

The next step is by introducing the use of ICT to those involved in the business. Infrastructure and skill usually become the obstacles in developing *E-Tourism* in Indonesia. Thus, the government should introduce ICT and train them to use it. The government as well as the non-government organizations should also evaluate the programs.

Training

The concept of *E-Tourism* provides positive benefit to strategic marketing for SME tourism. However, the problem faced by SME is expertise in ICT. The government can

cooperate with private sectors to hold workshops and trainings about ICT and also about how to create and maintain website for SME to support the application of *E-Tourism*.

2. Relationships with expert

Trainings will not be enough because they are short-term programs. It takes time to master the knowledge ICT and about the process of creating websites so the government should act as a facilitator to enable the parties involved to master such knowledge. SME can also cooperate with *website* providers to become facilitators for them.

Networks, cluster, and community

The development of *E-Tourism* for tourism SME in Indonesia can also be done by setting up *network*, *cluster*, and *community*. To integrate tourism information, those involved in tourism SME can make a network functioning as the collector of tourism information. The formation of *network* can be done by creating a community categorized based on *cluster* or tourism SME types. From such community they can gather tourism information in Indonesia and upload it in the website. The tourism information must always be updated. It is an important action for an *E-Tourism* website because complete information will attract more tourists to visit Indonesia.

The formation of *network* and *cluster* will also facilitate cooperation among tourism SME of the same types. For example, those involved in hotel business can share one another to create a program to develop their businesses. Such community will make things easier for the government as well as other related parties to do the evaluation and monitoring processes.

CONCLUSIONS

Tourism sector is one of the sectors in Indonesia that generates huge income and its

development cannot be divorced from the roles of small and medium scale business (SME). With the development of science and technology, tourism sector cannot be separated from the use of *E-Tourism*. However, the development of *E-Tourism* support Indonesia's tourism cannot be done well. maksimal. The development of *E-Tourism* in Indonesia is left behind compared to that in Singapura, Malaysia, and Thailand.

The weaknesses of *E-Tourism* application lies in the unavailability of tourism information in Indonesia Besides, the use of ICT in *E-Tourism* concept is still very shallow, that is, it is limited to providing tourism information without adding *value added* such as *online booking* and so on. ICT in Indonesia is still developed by the government, not by the businessmen involved.

The development of *E-Tourism* concept is inevitable at present due to the development of science and technology. It is supported by a great number of ICT users in the world. There are many advantages in using ICT in *E-Tourism* concept in Indonesia. Among other is the wider market share because of the virtual promotion which is accessible to be accessed from all over the world. It will be very beneficial in developing tourism sector in Indonesia together with the development of local tourism.

It needs the cooperation with many parties to develop the application of *E-Tourism* for SME in Indonesia. The roles of government, private sector, and businesspersons involved need to be synergized to develop *E-Tourism* for SME in Indonesia. Strategic evaluation must be done one timely basis in order to achieve maximum results. To conclude, Indonesia's tourism is expected to be able to develop and generate welfare for the people of Indonesia, especially, for those involved in tourism SME by applying good *E-Tourism*.

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